

The Limits of Competition in Defense Acquisition
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**ACQUIRING IT SERVICES: SHOULD DOD USE SINGLE OR MULTIPLE
AWARD TASK ORDERS?**

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14. ABSTRACT Department of Defense organizations can achieve cost savings in the acquisition of Information Technology (IT) services by reducing government and contractor overhead with a Single Award Task Order Contract (SATOC). Some believe that continued competitive pressure applied using Multiple Award Task Order Contracts (MATOC) is more effective in helping government organizations achieve cost savings. This paper summarizes the current literature on the use of the two contract vehicles in IT services acquisition and discusses the merits of each method. It also analyzes qualitative data from the United States Special Operations Command on the implementation of the two acquisition models. The paper provides recommendations for future empirical research based on the analysis.					
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Abstract

Department of Defense organizations can achieve cost savings in the acquisition of Information Technology (IT) services by reducing government and contractor overhead with a Single Award Task Order Contract (SATOc). Some believe that continued competitive pressure applied using Multiple Award Task Order Contracts (MATOC) is more effective in helping government organizations achieve cost savings. This paper summarizes the current literature on the use of the two contract vehicles in IT services acquisition and discusses the merits of each method. It also analyzes qualitative data from the United States Special Operations Command on the implementation of the two acquisition models. The paper provides recommendations for future empirical research based on the analysis.

Two-line summary: Federal Policy has established a preference for multiple award over single award task order contracts in information technology services acquisition. This paper address the limitations of competition related to the ability of task order contracts to achieve efficiencies that are possible when requirements are consolidated.

Overview

Department of Defense (DOD) organizations have used both Single Award Task Order Contracts (SATO) and Multiple Award Task Order Contracts (MATOC). Both methods have advantages and disadvantages. Acquiring services from a single vendor can reduce administrative cost of both the government and the contractor. Efficiencies can be achieved by consolidating requirements under a single source model to accomplish multiple tasks with fewer resources. This reduces the need for cross vendor coordination and requires less government resources for oversight and management. However, under single source models there is little incentive for the contractor to reduce costs and introduce new efficiencies, especially under Cost or Time and Materials type contracts. The incentive to achieve organizational performance goals may also be reduced in a single source environment, particularly on large IT enterprises where transition to a new contractor is more difficult.

To encourage efficiencies and cost reductions many DOD organizations have migrated from SITOCs to MATOCS to acquire enterprise IT services. Under multiple contractor models, transition of services may be accomplished in smaller pieces; therefore cost may be reduced and performance encouraged through competitive pressures. In a multivendor environment, competitive forces may drive down cost as contractors try to lower costs to win contracts. The downside is that more oversight and management is required by the government to ensure cross vendor coordination and seamless delivery of the services. Often these costs are not considered when evaluating the contract cost. Further, the cumulative overhead and management cost of multiple contractors that must be recouped limits the potential for reduced costs and increased efficiencies.

The United States Special Operations Command (USSOCOM) acquires over \$200 Million in enterprise IT services annually. In 2011, USSOCOM transitioned from the single contractor Enterprise Information Technology Contract (EITC) model to a multiple contractor Special Operations Forces (SOF) Information Technology Enterprise Contracts (SITEC) model. This paper examines the current research available on the use of both models, identifies the advantages and disadvantages of each model and provides anecdotal evidence of the issues related to USSOCOM. The paper will provide an analysis of the issues and identify avenues for future research.

Literature Search

Competition among suppliers is often considered a sound business practice. In both the private and public sectors, competition can be used to lower prices and encourage efficiency. In the public sector, competition requirements also ensure that all suppliers have a fair opportunity to obtain government business. Historically, government has placed a high priority on competition. Until the early 1980s the preferred method of acquiring goods and services in the federal government was sealed bidding. The Competition in Contracting Act (CICA) of 1984 eliminated the preference for sealed bid procedures and encouraged the use of competitive negotiations as an alternative method for obtaining full and open competition. CICA required all government organizations to obtain full and open competition through one of these methods on all acquisitions unless one of the exceptions listed in Table 1 applied. CICA also required organizations to establish a competition advocate and justification from high-level officials to use other than full and open competition.

CICA along with other policies created an onerous Defense Acquisition system that made it very difficult to acquire supplies and services in a timely fashion. Congress recognized the

need for change and implemented the Federal Acquisition Streamlining Act (FASA) of 1994. FASA was designed to “reduce paperwork burdens, facilitate the acquisition of commercial products, enhance the use of simplified procedures for small purchases, clarify protest procedures, eliminate unnecessary statutory impediments to efficient and expeditious acquisition, achieve uniformity in the acquisition practices of federal agencies, and increase the efficiency and effectiveness of the laws governing the manner in which the government obtains goods and services (CICA,1984).”

Table 1

Seven Exceptions to Competition

Only one responsible source and no other supplies or services will satisfy agency requirements
Unusual and compelling urgency
Industrial mobilization, engineering, developmental or research capability, or expert services
International agreement
Authorized or required by statute
National security
Public interest

While competition generally has a positive effect on the acquisition process, it can also have negative consequences, particularly in the IT Area. In some cases, consolidation of requirements and long term relationships are key factors that lead to increased efficiency (Kelman, 1990). To that end, many argue that the bureaucratic processes of the government often increases the price of goods and services purchased by the public sector and that rules and

procedures aimed at ensuring fairness would have to be eliminated in order to increase efficiency in government (Schmidt, 2000). The Government Accounting Office (GAO) has recognized the ability of leading organizations in the private sector to achieve these efficiencies. The GAO identified the ability of the private sector organizations to reduce the number of IT service suppliers as a best practice in their report on the challenges DOD faces in implementing best practices (2002).

SATOCs vs. MATOCs

The unpredictable nature of IT services and changing DOD requirements make it difficult to build long-term relationships with contracts that clearly define requirements at the time of award. Therefore, IT services for DOD are often acquired under task-order contracts. The Federal Acquisition Regulation (FAR) defines task-order contracts as “a contract for services that does not procure or specify a firm quantity of services (other than a minimum or maximum quantity) and that provides for the issuance of orders for the performance of tasks during the period of the contract” (Federal Acquisition Regulation, Part 16, 2012). Task-order contracts are a form of Indefinite Delivery Indefinite Quantity (IDIQ) contract under Part 16 of the FAR. IDIQ contract orders follow different procedures than contracts issued under full and open competition. Task-order contracts may be awarded to one contractor as a SATOC or awarded to more than one contractor as MATOCs through one solicitation. Part of the intent of the FASA was to encourage federal agencies to use MATOCs instead of SATOCs (Sabin, 2005). Under MATOCs government agencies are required to give all contractors awarded a contract for a service area a fair opportunity to compete for task orders unless a regulatory exception applies. The exceptions to this fair opportunity process are listed in Table 2.

Table 2

Exceptions to the Fair Opportunity Process under Multiple Award Contracts

The agency need for the supplies or services is so urgent that providing a fair opportunity would result in unacceptable delays.

Only one awardee is capable of providing the supplies or services required at the level of quality required because the supplies or services ordered are unique or highly specialized.

The order must be issued on a sole-source basis in the interest of economy and efficiency because it is a logical follow-on to an order already issued under the contract, provided that all awardees were given a fair opportunity to be considered for the original order.

It is necessary to place an order to satisfy a minimum guarantee.

For orders exceeding the simplified acquisition threshold, a statute expressly authorizes or requires that the purchase be made from a specified source.

In accordance with section 1331 of Public Law 111-240 (15 U.S.C. 644(r)), contracting officers may, at their discretion, set aside orders for any of the small business concerns identified in 19.000(a)(3). When setting aside orders for small business concerns, the specific small business program eligibility requirements identified in part 19 apply.

The agency need for the supplies or services is so urgent that providing a fair opportunity would result in unacceptable delays.

Currently Contracting Officers are prohibited from issuing SATOCs exceeding \$103 million unless the head of the agency determines that the task orders expected under the contract are so integrally related that only a single source can reasonably perform the work; the contract provides only for fixed price task orders; only one source is qualified and capable of performing the work at a reasonable price to the government; or it is necessary in the public interest to award the contract to a single source due to exceptional circumstances (FAR Part 16, 2012).

Prior to FASA, SATOCs were the primary contracting vehicles for acquiring services in DOD (Office of Federal Procurement Policy, 1999). When buying Information Technology (IT) services for large organizations, there are some advantages to using a SATOC. On the

government side, SATOCs allow organizations to acquire supplies and services quickly by allowing federal agencies to avoid procedural and legal delays related to conducting competitions for individual requirements. They also require less government resources than MATOCs.

A SATOC can also reduce contractor costs for IT services. A single contractor can reduce the overhead required to manage programs and personnel through economies of scale. When using multiple contractors to provide services to a single organization each contractor must cover their overhead, much of which is a non-recurring cost. By using a single contractor, those non-recurring costs are reduced and spread over a larger pool of labor. In addition, under a SATOC a contractor may have opportunities to combine tasks to reduce the number of personnel required to execute contract requirements. Combining tasks may be difficult under MATOCs, particularly when an organization has to spread out tasks to ensure all contract minimums are met. With a SATOC the contractor has total responsibility for the IT system. The contractor is responsible for coordinating all aspects of the service delivery. If there are multiple contractors providing services under a SATOC, it is only because the contractor has chosen to subcontract a portion of the work. As such, the prime contractor is still responsible for the work. If there are performance issues, the government does not have to spend time determining which contractor is responsible for the problem.

SATOCs also have many disadvantages. After award, there is no competition under a SATOC. Without competition, changes can be costly. In most cases, it is not possible to define the work performed under the contract well enough to establish fixed prices for IT services for the life of the contract. Constant changes in the IT market place require the use of flexible contract vehicles that allow organizations to implement new technologies. Further, the fluid

nature of the DOD Mission makes it difficult to nail down specific performance requirements and locations. These factors prevent the establishment of long-term price arrangements. In a 1997 report the Office of Federal Procurement (OFP) stated, “Before FASA, many agencies relied on long-term ID/IQ and umbrella contracts with technology refreshment and price reduction clauses to take advantage of falling prices and new technology. Even with these clauses, the government had to negotiate in a sole-source environment and was often unable to realize the economies and efficiencies afforded by vigorous competition among vendors in the marketplace” (OFPP, 1997).

The sole source environment of a SATOC may make it difficult to negotiate agreements that allow the government to realize the economies and efficiencies available in the market. In sole source negotiations, a fee or profit is established based on the estimated cost of the work to be performed. Most of those costs are driven by the amount labor required to perform the work. Under these circumstances, there is little to no incentive to incorporate new enterprise technologies to increase automation and reduce labor under a SATOC. For example, in the IT service arena a contractor may implement technologies that allow centralized remote administration of IT services. The single award contractor may be reluctant to implement these technologies if the contractor feels it will reduce the need for the core services they provide. Instead of incentivizing efficiency, SATOCs can encourage the opposite behavior. To increase profit the contractor may encourage the use of technologies or the implementation of new technologies that increase the need for labor rather than reduce it.

Performance issues are also more difficult to address under a SATOC arrangement than under a MATOC. If issues arise with a single contractor under a long-term arrangement and efforts to motivate the contractor to perform are unsuccessful, extraordinary measures are

required to terminate the relationship for default or convenience of the Government. In some cases the termination can be contested by the contractor (FAR, Part 49, 2012). If the termination is successful, the government must still re-compete the award and determine how to acquire the required services during the source selection. The government organization may decide to accept the degraded performance until the contract expires if they feel that the difficulty of executing both the termination and the follow on source selection process is too cumbersome.

MATOCs incentivize efficiency and performance through competition rather than service production efficiency. The federal government expects that continued competition through MATOCs will lead to lower prices and better quality. A survey of 49 task orders for software development issued under Department of Justice indicated that the actual cost for the services was 16.7% less than the government estimate (OFPP, 1997). Unlike SATOCs, MATOCs offer Government organizations the ability to have competition after the initial contract award and keep competitive pressure on the contractors during contract execution (OFPP, 1999).

To accomplish this, MATOCs reduce the time from requirements identification to award and reduce government overhead associated with multiple acquisitions when compared to contracts awarded under Full and Open Competition (OFPP, 1997). Task-order awards under MATOCs have fewer competitors resulting in fewer proposal evaluations. Contractor task-order proposal are less detailed because contract terms and conditions and administrative details required for a government contract are already included in the basic contract. The relaxed protest rules implemented by FASA have reduced the need for intense legal and compliance reviews further streamlining the task-order award process.

MATOCs offer a greater motivation for contractors to perform than SATOCs. MATOCs also provide improved contractor performance in satisfying customer requirements (OFPP,

1997). In general, poor performance on federal contracts is not captured for use by contract and task order award decision makers (United States General Accounting Office, 2003; Gordon, 2011). As a result, the threat of a bad past performance report is not a real motivator for most contractors. Under MATOCs, organizations evaluating task order proposals have intimate knowledge of the past performance of Contractors that have previously performed work under the MATOC. Because it is easier to replace a contractor, there is more pressure on contractors to perform. Further, contractors are also motivated by the prospect of having poor performance count against them on other task order awards issued against the same MATOC.

A major disadvantage of MATOCs is that they require more government resources to execute. Under MATOCs, more resources are required to administer multiple contracts. Additional technical and administrative resources are also required if factors other than price alone are used in task order source selections. If cost type task orders are used, the cost analysis requires additional resources for determining the cost realism of the contractor proposals as required by FAR, Part 15 (2012). If the MATOC creates situations where contractors have to work together to accomplish work or the division of work creates gaps in contractor responsibilities, additional government management resources are required to coordinate contractor and government work efforts. Some organizations such as USSOCOM have obtained contractor support to assist with this management and coordination of other IT service providers.

In cases where MATOC contractors are required to work together, IT system performance may be degraded if lines of responsibility for all MATOC task order awardees are not clearly defined. This could lead to disputes over which contractor is responsible for different aspects of performance. If the contractors decide to use the contracts dispute processes major delays in the delivery of IT services could occur across the board as the government sorts out the

dispute with an individual contractor. With a SATOC the contractor has total responsibility for the system, and the risk of a contract dispute is reduced.

There is little empirical data available on whether MATOCs in DOD actually produce the desired cost savings. A major contributor to the lack of data is the difficulty of gaining visibility into individual organizations' service acquisition practices (United States General Accounting Office, 2002). It is also very difficult to perform an apples to apples comparison of the two methods. There are strict rules on the use of SATOCs. This limits the amount of data available on SATOCs and the ability of researchers to evaluate the effects of the two methods on similar acquisitions at the same time. A comparison of historical data from organizations that have used both types of systems is possible; however the data may be clouded by other factors such as time, other policies, the economy, and technology; especially when analyzing the effects on IT service acquisitions. Most of the analysis on cost savings related to MATOCs in the current research was accomplished by comparing the projected cost of the effort under the MATOC to a government cost estimate (OFPP, 1997). There are no data from direct comparisons between SATOC and MATOC acquired services. The United State Special Operations Command has acquired IT services through both a SATOC and MATOCs. The rest of this paper will provide an analysis of the anecdotal information available and suggest avenues for empirical research.

USSOCOM History

USSOCOM was formed in 1987 in response to congressional action in the Goldwater-Nichols Defense Reorganization Act of 1986 and the Nunn-Cohen Amendment to the National Defense Authorization Act of 1987. USSOCOM is comprised of a headquarters at MacDill Air Force Base (AFB), FL, one sub-unified command, Joint Special Operations Command (JSOC) at Fort Bragg, NC; and four component commands, United States Army Special Operations

Command (USASOC) at Fort Bragg, NC; Air Force Special Operations Command (AFSOC) at Hurlburt Field, FL; Naval Special Warfare Command (NAVSPECWARCOM) at Coronado, CA, and the U.S. Marine Corps Forces Special Operations Command (MARSOC) at Camp Lejeune, North Carolina. In addition, each of the Geographic Combatant Commands has an attached Theater Special Operations Command (TSOC) that provides theater-related special operations strategy and planning efforts (USSOCOM, 2008).

USSOCOM's mission is to provide fully capable Special Operations Forces (SOF) to defend the United States and its interests; and to plan and synchronize operations against terrorist networks. USSOCOM is responsible for training and equipping all DOD SOF to perform missions anywhere in the world at any time. Specific responsibilities of USSOCOM include developing, acquiring, integrating, fielding, and supporting special operations peculiar equipment, material, supplies and systems and ensuring the interoperability of equipment and forces. The Nunn-Cohen Amendment to the National Defense Authorization Act of 1987 gave USSOCOM service like authorities to budget for and acquire Special Operations unique supplies and services to execute the USSOCOM mission.

As USSOCOM grew, the focus of DOD shifted from developing Cold War capabilities such as tanks, planes and ships to developing new capabilities to fight the Global War on Terrorism (GWOT). Command, control, communications, computers, and Intelligence (C4I) were some of the most important capabilities required to execute the GWOT. The nature of the Special Operations Mission and the requirement for joint service cooperation put USSOCOM at the heart of the development of new IT capabilities.

USSOCOM IT Service Acquisition History

The SOF Information Enterprise (SIE) is USSOCOM's worldwide IT infrastructure. The SIE encompasses all SOF IT assets throughout the command. The SIE is comprised of USSOCOM's data centers, enterprise services, as well as SOF's global terrestrial and satellite connectivity. Prior to 1998 computer support for USSOCOM organizations was acquired by the individual organizations making up USSOCOM. In 1998, USSOCOM began consolidating communications and computer support staffs to form a single C4I infrastructure support team and established a sole program office for C4I systems acquisition. By January 2001, the center had completed its evolution from a J-staff structure, with a Chief Information Officer (CIO) coordinating information technology (USSOCOM, 2008).

To support the new IT support concept the command issued the Enterprise Information Technology Contract (EITC). EITC provided the planning, management, operation and maintenance (O&M) of all garrison and deployed Wide Area Networks (WAN), Metropolitan Area Networks (MAN), Local Area Networks (LAN), and the communication and network infrastructures for data, voice, and video. The contract also included the O&M, development, integration, testing, training, and customer support for all desktops, portable computing devices, applications, messaging systems, databases, and web services used by SOF. Contract responsibilities also included information assurance, transmission and communication security requirements, requirements management, configuration management, hardware maintenance, and disaster recovery. The goal of the contract was to improve Command-wide interoperability, standardize operations, increase overall IT performance, improve cost of ownership, provide a single point of contract for IT service issues and improve technology.

At the time of award, the contract supported the USSOCOM headquarters; a USSOCOM Washington Office in Washington DC; JSOC; and three component commands: USASOC; AFSOC; and NAVSPECWARCOM. The contract also provided support to some TSOCs.

Prior to EITC, USSOCOM IT services, support, and equipment were provided through more than 45 separate contracts. To replace those contracts, EITC was issued as a SATOC consisting of a base year, four one-year ordering periods, and four one-year incentive terms. The contract was awarded on March 15, 2002, with a contract ceiling of \$900 Million. EITC included Firm Fixed Price(FFP) performance based Contract Line Items (CLINs) for contract management, systems administration, information assurance, configuration management, help desk, desktop support, infrastructure support, integration, testing, and disaster recovery. The FFPs were priced up front based on the projected USSOCOM growth at the time the solicitation was released in October 2001. It also included Time and Materials (T&M) CLINs to allow the government to issue level of effort task orders for hardware maintenance, training, VTC, database/web/application/portal development, surge, contingency, deployment, and technology refreshment. Cost CLINs were included for travel, and other direct costs.

The scope of the contract was based on the functions required to support the projected command size in the technical environment that existed at time of solicitation. After award the SOCOM environment changed dramatically. The Special Operations Mission significantly increased after the terrorist attacks on the world trade center on September 11, 2001. USSOCOM became the lead combatant command in the GWOT and experienced unprecedented growth in personnel and requirements. Although EITC included provisions for growth, it did not include contract mechanisms to account for the extreme growth that occurred follow 9/11. The extreme

growth required USSOCOM negotiate three equitable adjustments to the performance based FFP CLINs and issue additional T&M orders for task that were not covered by the FFP CLINs.

Work that was not performance based was ordered on task orders issued on T&M basis. USSOCOM was unable to issue performance based task orders for a number of reasons. The GWOT demanded that USSOCOM focus on providing IT support to meet individual site requirements that varied greatly among the Headquarters, Component Commands, TSOCs and other organizations supporting USSOCOM. This mindset made it difficult to focus on performance-based enterprise solutions. Further, with performance-based contracts the government loses control on how work is accomplished. When organizations contract out IT services they also have a higher risk of losing close alignment between organizational and IT objectives (Government Accounting Office, 2001). In a military environment where mission priorities, security concerns and public policy often trump the desire for efficiency, DOD is often unwilling or unable to delegate the decision-making authority necessary for the contractor to execute performance-based contracts in an efficient manner.

To replace EITC, USSOCOM wanted a contract that would enable and improve IT in support of mission operations; increase control, transparency and accountability over IT operations; foster effectiveness and innovation; drive cost optimization; foster communication and information sharing; establish a flexible and scalable contract supported by a strong metrics program; foster competition; and enable net centricity. To accomplish these goals USSOCOM contracted with Gartner Incorporated, a recognized leader in IT research and consulting to develop the acquisition plan. The complexity of the USSOCOM IT Service environment and the unpredictable nature of the work required the use of an IDIQ contract vehicle. The DOD acquisition environment at the time discouraged the use of SATOC's and T&M contracts so a

SATOC level of effort type contract was not feasible. There was also legislative focus on acquiring services using performance based acquisition methods (National Defense Authorization Act for Fiscal Year 2001). USSOCOM developed a plan in conjunction with Gartner to divide IT services into areas called towers to meet performance requirements and comply with acquisition policies. Table three details each of the towers.

Table 3

SITEC Towers

Tower 1 - IT Service Management (ITSM) provides support to the USSOCOM IT Management Office and in coordinating, integrating, and synchronizing delivery services from the other SITEC Providers

Tower 2 - Data Center Services, including enterprise-wide centrally- and remotely-located servers and data storage equipment and software

Tower 3 - Enterprise Network Services, including all enterprise-wide WAN and LAN data, voice, and video networking equipment and software

Tower 4 - Distributed Computing Services, including all enterprise-wide end-user computing hardware and associated software and peripheral devices

Tower 5 - Application Management Services, including development, maintenance, and support of enterprise and command level applications

Tower 6 - Specialty Services, including any combination of the above four IT service areas in support of Command-specific requirements

Tower 7 - C4I Production Services, including development and production of IT hardware and software solutions required to support unique mission needs, such as C4I Tactical Local Area Network (TACLAN) systems

The acquisition plan called for USSOCOM to acquire the services with a mixture of SATOCs and MATOCs. The initial awards of the service contracts were the result of simultaneous sources selections that were conducted beginning in Jul of 2010 and ending in

August 2011. USSOCOM staggered the period of performance of the contracts to avoid competing all the contacts at the same time in the future.

The SITEC ITSM, Data Center, Enterprise Network and Distributed Computing tower contracts are SATOCs. The core portion of the ITSM contract is Cost-Plus Incentive Fee (CPIF), a contract type that incentivizes cost performance by allowing the contractor to share the savings resulting from cost under runs and the expense of cost overruns. The ITSM also includes FFP CLINs for Service Desk Services. Unlike EITC which included a single FFP to provide the performance based IT services for all enterprise users based on projected growth, the ITSM contract includes fixed unit prices that vary with the volume of users.

The other SATOCs, known as the unit based towers, have FFP CLINs with fixed unit prices as the core of the contract. The Data Center Tower contract is priced by storage units, the Enterprise Network Tower contract is priced by network devices and the Distributed Computing Tower contracts is priced by desktop. The unit based tower contracts also include limited use T&M CLINs for IT installation at new facilities and deployments in addition to cost CLINs for travel.

The Application Management and Specialty Services Tower contracts are MATOCs. Both contracts allow USSOCOM to compete Cost Plus Fixed Fee (CPFF) or FFP task orders among seven contractors. The production tower includes contracts that are not service contracts and will not be addressed by this paper. As of the time of publication, no contracts have been awarded under the production tower. Figure 1 provides a summary of the SITEC Tower Contracts the approach and Contract Type.

Figure 1 Special Operations Forces Information Technology Enterprise Contracts Tower Structure

Service Area Contracts	Scope	Contract Approach	Contract Type
IT Service Management Contractor (ITSMC)	Program Mgmt, IT Service Mgmt and Integration, Performance Mgmt, Enterprise Architecture, Enterprise Engineering / Planning, IA Policy/Planning	Single award IDIQ	CPIF
	Service Desk		FFP/ Fixed Unit Price/ Var. Volume
Data Center Services	Servers, Storage, Collaborative Computing and Related Planning/Engineering, ITSM, IA Operations, and SIF Integration	Single award IDIQ	FFP/ Fixed Unit Price/ Var. Volume
Enterprise Network Services	WAN/MAN/CAN/LAN, Data, Voice, Video, and VTC, Multi-Control Processing Units (MCUs), SSEPs, SCAMPI Nodes, Deployed Communications Support, and Related Planning/Engineering, ITSM, and IA Operations	Single award IDIQ	FFP/ Fixed Unit Price/ Var. Volume
Distributed Computing Services	Break/Fix, Wireless Infrastructure, IMAC, VIP Support, VTC Site Operations, End-User/Site Devices (e.g., Printers, Phones, PDAs, AV Displays, etc.), and Related Planning/Engineering, ITSM, and IA Operations	Single award IDIQ	FFP/ Fixed Unit Price/ Var. Volume
Application Mgmt Services	Application Maintenance, Application Development, and Related Planning/Engineering, ITSM, and IA Operations	Multiple award IDIQ	Determined at TO Lvl/Not T&M
Specialty Services	JSOC and TSOC Support Task Orders	Multiple award IDIQ	Determined at TO Lvl/Not T&M
C4I Production Services	C4I Production	Multiple Contracts	Determined at Contract/Task Order Lvl/Not T&M

The ITSM and Unit based towers were awarded with a two year ordering period. The contract allows the Government to order services at pre-determined unit prices based on the projected requirements. The ITSM and Unit based towers include incentive terms that extend the ordering period of the contracts if the contractor meets or exceeds Service Level Agreement(SLA) targets. Some of the SLAs are shared with other SITEC providers. The ITSM contract includes four one-year incentive terms and the Enterprise Networks contract includes three incentive terms. The Data Center and Distributed Computing Tower contracts include two incentive terms each. The Application Management and Specialty Services Tower contracts are MATOCs. The Application Management Tower includes a three-year ordering period and the Specialty Services Tower Contract has a five-year ordering period. The individual SITEC MATOC task orders are awarded with a one-year basic period of performance and options for four years on the Specialty Services tower task orders and two years on the Application Management tower task orders.

The SITEC approach represented a substantial change to USSOCOM's business practices. To manage the change and the new contract model USSOCOM created an IT Management Office(ITMO). The ITMO is staffed with seventeen government personnel and is supported by the ITSM Tower Contractor. The ITMO and the ITSM contractor are charged with creating IT policies and coordinating SITEC service delivery. USSCOM had planned to award the ITSM contract six months earlier than the other contracts to help implement the cultural change and transition services to the new contractors. However, the initial award of the ITSM contract on May 27, 2010, was protested to the General Accounting Office (GAO). The protest was upheld by the GAO and the contract award was delayed until August 17, 2011, five months after the performance began on the unit based towers.

Analysis

Effects of competition on cost savings

As with the organizations depicted in the current research on the use of SATOCs, detailed cost data for empirical analysis is not available. Changes in the IT approach and the different contract pricing methods used under EITC and SITEC make direct comparison of the cost of individual activities performed under the two contract models unfeasible. As a result, specific savings data are not available. USSOCOM estimates of the anticipated savings resulting from SITEC range from \$50-\$72 Million a year based on an analysis of the initial task order awards. Consistent with other government organizations detailed in current research, USSOCOM has calculated the estimated savings by taking the difference between the projected cost of the initial SITEC contract task order awards and the original government estimate of the cost constructed prior to award.

The original government cost estimate was constructed with the assistance of Gartner using their benchmark vendor's proprietary outsourced contracts database and its proven Indicative Price Benchmark methodology. USSOCOM profile information from EITC data was also used to develop the Government Estimate. There are several factors other than competition itself that may contribute to the reduced cost. First, SITEC implemented a new IT Governance Model called Information Technology Infrastructure Library (ITIL). ITIL is a framework for identifying, planning, delivering and supporting IT services. The framework is geared toward aligning an organization's IT services with the organization's requirements and customer needs. It implements IT service management best practices from the public and private sectors (ITIL, 2007). Since the new model was implemented with the SITEC contract awards, there is no mechanism to separate the cost reductions, or increases, attributable to the new governance model from those attributable to competition.

The assumptions on economic conditions used to construct the SITEC government estimate may have resulted in an over inflated government estimate. Economic conditions at the time of the EITC award were vastly different from those at the time of the SITEC award. A majority of the work under both EITC and SITEC was, and still is, performed in the Tampa, Florida and Fayetteville, North Carolina areas. The Request for Proposal (RFP) for EITC was issued on November 5, 2001. At that time, the unemployment rates in Tampa and Fayetteville were at 6.6%, and the US unemployment rate was 5.3%. The SITEC RFP was released on May 25, 2010. In May 2010, the Unemployment rates were 11.9% for Tampa, 7.2% for Fayetteville and 9.3% for the US. Further, the US economy experienced negative growth on a year over year basis in 2009 for the first time in decades (World Bank, 2102). Economic conditions resulting in

increased demand for IT Labor resources during execution of the SITEC contracts may affect USSOCOM's ability to achieve original savings estimates.

EITC included FFP CLINs and T&M labor rates that were established at the time of award. As previously stated, only the FFP CLINs prices were renegotiated due to growth. To account for the possibility that labor rates may increase, the EITC contractor had to price the risk of labor cost growth into growth the labor rates at time of award. Most of the MATOC orders under SITEC are CPFF orders. With CPFF orders the government reimburses the contractor for their cost to execute regardless of what was proposed. With the CPFF arrangement the SITEC offerors did not have to price the risk of labor costs increases into their proposals.

Finally, the government estimates for SITEC were based on the hindsight the government experienced with EITC. Estimates of the savings from the SITEC awards do not include calculations for potential changes that may occur. The original EITC contract ceiling of \$900 Million grew to \$1.5 Billion over an 11 year period. A portion of the growth resulted from the extension of the contract beyond the planned end date due to delays in the SITEC award. However, much of the increase was due to changes in the USSOCOM mission in the post 9/11 era. If USSOCOM experiences similar increases in responsibility under SITEC the estimated savings may be considerably reduced.

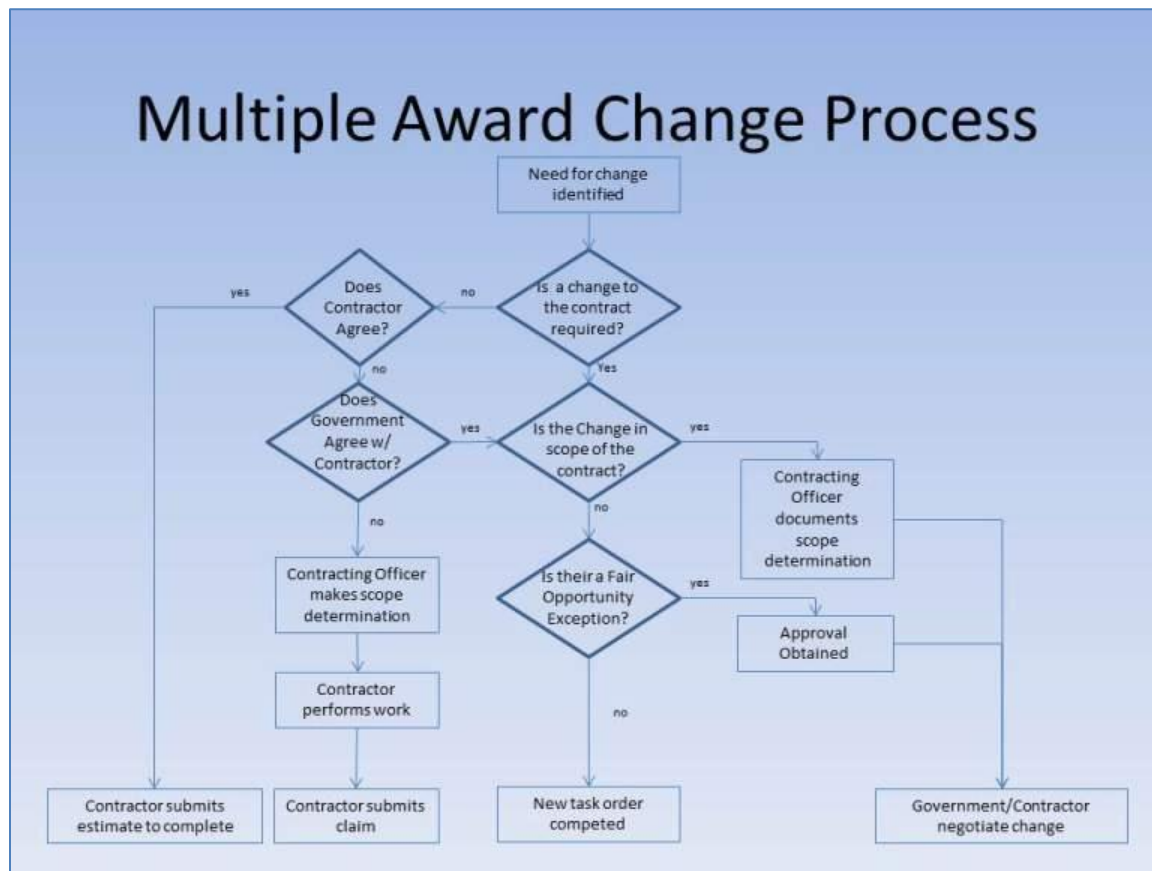
The USSOCOM *FY2013 Budget Highlights* indicate that the current global environment continues to increase the demand for Special Operation Forces to meet national security objectives (USSOCOM, 2012). The structure of the unit-based towers allows for growth resulting from increases in personnel and IT infrastructure requirements. As a result, there should be limited cost growth on the unit based towers. If, however, changes are necessitated by evolving IT Enterprise requirements on these towers, negotiations will be on a sole source basis.

These sole source negotiations may be seen as an opportunity for the contractor to “get well.”

Contractors get well when they are able to increase the price of additional work under a contract by more than the cost of the work to recover previous losses. This practice is harder to prevent in a sole source situation.

A majority of the task orders issued on the SITEC MATOCs are CPFF orders. Cost growth on these cost type contracts occurs for a number of reasons including changes in government requirements, unforeseen technical or management issues, acceleration of work or contractor mismanagement. Under the SITEC MATOCs if cost growth occurs and additional funding is required, the Contracting Officer must determine whether the work can be added to an existing task order or whether it must be competed before authorizing the work. The process used is depicted in Figure 2.

Figure 2: USSOCOM Multiple Award Change Process



Cost growth that occurs as a result of an increase in the cost of the work on contract is considered an overrun. With CPFF contracts the government pays the cost of all overruns. There is no increase in fee on overruns. The contractor only receives fee when an equitable adjustment is required by contract clauses such as the Changes clause. If the Contracting Officer determines that additional work is in scope of the task order the equitable adjustment is subject to negotiation. The negotiations which are now sole source may give the contractor an opportunity to recover fee on overruns as it is often difficult to separate the cost of work previously ordered from the new work added (FAR Part 52, 2012).

Continued savings under MATOCs are only possible if organizations are dedicated to keeping the competitive pressures on contractors during execution. The ability of organizations

to maintain the competitive pressure on MATOCs has been a concern of DOD and GAO for some time. In 2001, the DOD Inspector General found that contracting organizations were not achieving the cost saving benefits of multiple award contracts because of the lack of sustained competition and that only 3 of the 15 contracting organizations reviewed used multiple award contracts correctly (Office of the Deputy Inspector General for Auditing, 2001). GAO has also cited inadequate justification of Fair Opportunity Process exceptions as an issue in civilian agencies (United States General Accounting Office, 2003). The focus on MATOCs does not seem to be waning, as the *DOD Inspector General FY 12 Audit Plan* included four separate investigations of award and administration procedures of task order contracts (Office of the Deputy Inspector General for Auditing, 2011). USSOCOM is committed to maintaining the competitive pressures on the SITEC MATOCs, however many of USSOCOM individual organizational units often require integrated contractor IT support to meet their mission. The challenge of integrated IT support becomes more cumbersome when multiple contractors are involved. As such, logical follow task orders to the initial task order awards are often justified in order to achieve economy and efficiency. Urgent requirements in the USSOCOM environment may also necessitate fair opportunity process exceptions to avoid unacceptable delays. USSOCOM has completed the initial wave of task orders under the multiple award towers and there are few planned orders in process. USSOCOM's ability to sustain the competitive forces of a MATOC will depend on USSOCOMs ability to limit the fair opportunity process exceptions for new task orders.

At a minimum, the existence of MATOCs does give the government more leverage in the sole source negotiations. With MATOCs, the government has the option to compete work that was traditionally considered a contract change under a SATOC. The potential of losing business

altogether may motivate contractors to accept lower prices, cost targets and fees in negotiations. USSOCOM has successfully used the threat of competition as leverage in sole source negotiations on the SITEC unit based tower contracts to lower FFPs when the government considered the proposed cost of changes too high. On the SITEC MATOCs if contractors are unwilling to negotiate price increases that the Government feels are reasonable on new work that was previously justified for economy and efficiency reasons, the justification for a fair opportunity process exception may be erased.

The ability to apply continuous competitive pressure on contractors is highly dependent on the availability of government resources. DOD believes that multiple award contracts have demonstrated the ability to achieve significant saving (OFPP,1999). Most organizations do not have the ability to turn even a portion of those savings into the resources required to execute multiple award contracts. Government personnel caps also limit an organizations' ability to hire additional government resources for administration. Organizations can acquire some contractor support to assist with some of those functions as USSOCOM has with the ITSM contract. However, many of the functions such as awarding and administering contracts are inherently governmental functions that cannot be contracted out(FAR Part 7, 2012 and FAR Part 37, 2012). If the government expects to have continued success, policies must change to allow organizations to use some of the savings achieved under MATOCs to acquire the human resources required to administer the MATOCs and execute task order competitions.

MATOCs are expected to limit cost growth due to circumstances under the control of the contractor. The threat of losing a task order because of an overrun and having cost overruns harm a contractor past performance evaluation on future awards are the primary motivators for cost control during execution of SITEC MATOC task orders. The organization may also re-compete

the task order if they are unhappy with contractor performance. Cost control and performance are often dichotomous goals. The emphasis the contractor places on cost control will depend on what they believe is important to the organization. Organizations will most likely find it difficult to motivate sustained cost control under MATOCs if the priority is placed on performance over cost control and the organization is unwilling to expend resources to re-compete task orders that overrun.

Contract Flexibility

USSOCOM's ever changing mission and the constant evolution of the IT tools they use require flexible contract vehicles that can quickly adapt to change. EITC was flexible and allowed for streamlined authorization of task orders. When the requirement for increased level of effort was identified under EITC, the process to contract for the work was extremely fast and in most cases could be accomplished in a matter of days. Since labor rates for the T&M contract were determined by the contract, only labor hours were negotiated. Further, since the services were level of effort, there was little point in negotiating the hours since the contractor was paid for all hours required to perform the work regardless of the negotiated price.

The change to multiple award performance based task orders significantly increased the Procurement Acquisition Lead Time (PALT) of IT service task orders. The FASA initiatives were aimed at reducing lead times and administrative burdens relative to Full and Open Competition. Although MATOC task order awards are much faster than new contract awards, they are still very cumbersome and are not instantaneous.

Sole source task negotiations for changes or new work are also anticipated to take longer under SITEC than under EITC. Before a sole source negotiation can begin, the Contracting Officer must make and document the scope determination or the Government requiring official

must justify and obtain approval for a fair opportunity exception. This sole source basis is often subject to debates within the government that may delay the negotiations.

The change to MATOCs is not the only factor that has affected PALT. Under EITC, fee adjustments were included in the T&M rates and negotiation of fee was not required. The use of CPFF contracts on the new SITEC MATOCs has generated new negotiation issues. The application of fee to cost overruns is now an issue in negotiations. Negotiations become cumbersome when the contractor believes that an overrun is the result of government requirements changes. These arguments are intensified when government requirements are not clearly defined. Price evaluations are also more difficult on cost contracts than on T&M contracts. Sole source task orders under cost type contracts require a complex cost realism analysis on the government's part. When the estimated cost exceeds \$700,000, the contractor is required to submit certified cost and pricing data to assist the Government in performing the cost realism analysis. Contractors are subject to penalties for defective certified cost or pricing data and prosecution under the Truth in Negotiations Act (FAR Part 15, 2012 and FAR Part 52, 2012). As a result, additional scrutiny is required on the part of the contractor; increasing the time it takes the contractor to submit a proposal. It is important to note that an increase in PALT resulting from the contract change from a T&M to a cost vehicle would also occur if USSOCOM had implemented a single SATOC to replace EITC. In fact, without the threat of competition the effect on PALT could be greater.

Conclusion and Recommendations

Combining IT services to achieve efficiency and breaking them up to ensure competition are two dichotomous acquisition strategies. Government reports have recognized the advantages and disadvantages of both methods. Public policy has driven the decision on which method

organizations use. At the present time, the public policy pendulum favors competition. As the separation of service becomes too cumbersome for organizations the pendulum may swing the other way.

MATOCs are one of the contract vehicles used to achieve competition. The preponderance of the current literature on DOD organizations seems to indicate that achieving competition through MATOCs is a better strategy for achieving cost savings than consolidating requirements under a SATOC. The evidence used to demonstrate the ability of MATOCs to achieve competition and cost savings is anecdotal and has not been subject to testing using empirical methods. Further, the current literature contains estimated savings resulting from the MATOCs based on comparisons of initial contract awards to government estimates of costs that were formulated using data from contracts previously accomplished under a SATOC. It is not clear whether the cost savings estimated by these organizations considered the effects of requirement changes that occur during the execution of IT service contracts.

Policies mandating the use of MATOCs limit the ability of organizations to use SATOCs, thus data available for real-time analysis is limited. As a result, most of the data available is from those organizations that have transitioned from SATOCs to MATOCs. When evaluating data based on SATOC to MATOC transitions, it is difficult to separate the cost savings attributable to the transition from other factors such as technology or process improvements, and economic conditions and mission requirements. To evaluate the effects of the two models in like conditions research may need to focus on cross organization data. However, even with cross-organizational data, challenges will still exist in separating the cost differences resulting from the use of the two vehicles and those attributed to other factors such as differences in IT requirements, IT service acquisition policies, or general procurement policies.

USSOCOM has used two different acquisition models to acquire IT services since 2001. From 2001-2011 all services were provided by one contractor under a SATOC, called EITC. In 2011 USSOCOM transitioned to the SITEC model that included a mixture of SATOCs and MATOCs. Early indications are that the use of MATOCs has significantly reduced the cost of USSOCOM IT services compared to government estimates. Whether the estimated savings will come to fruition during execution is yet to be seen. MATOCs do give USSOCOM the tools to use continued competition as a motivator for performance and cost control. However, changes in mission requirements and the need for continuity of IT service delivery may have an effect on USSOCOMs ability to use those tools to achieve savings in the long run.

USSOCOM's experiences with task order contracts highlight the issues associated with evaluating the effects of single and multiple award acquisition models. Research needs to be directed toward finding ways to capture empirical data to evaluate the different effects of MATOCs and SATOCs on cost savings. The data then needs to be analyzed using statistical analysis methods such as factor analysis to separate the effects of other variables. Factor analysis is a data reduction technique that examines the inner correlations between variables to identify groups of variables that have common characteristics. It is unlikely that either acquisition method will be preferable for all acquisitions. It is more likely that the circumstances surrounding the individual acquisitions will determine the most appropriate strategy for acquiring the required services. Factor analysis can help DOD identify the best method under different circumstances. Factor analysis can also help DOD identify the other factors that contribute to the ability of either method to achieve desired results. Research also needs to address the effects of cost growth on the two acquisition models. Comparison of end cost results of one contract vehicle with beginning contract award prices of a different contract vehicle does not take into account the

effects of cost growth. Evaluation tools must account for increases and decreases in the size of the organizations acquiring the IT services. The effects of technology change and inflationary pressures must also be considered.

Competition can be a significant source of contractor motivation to help reduce the cost of IT services. Current literature and public policy seem to favor competition over consolidation of services as the preferred method to achieve cost savings. However, there is little empirical evidence to support the positions in the literature. In reality, one method will not fit all IT service acquisition. Circumstantial factors related to the individual acquisition will determine which method is better on a case-by-case base. The development of better evaluation tools to identify those factors will help to determine whether a single source or a multiple source model is more suited to the individual organization's needs.

Author Biography



Dr. Joseph R Daum is the Chief of the Special Operations Forces Information Technology Enterprise Contracts Division of the United States Special Operations Command (USSOCOM). He has 30 years of acquisition experience as Contracting Officer and Program Manager for the Department of Defense at USSOCOM and the Air Force's Aeronautical Systems Center. Dr. Daum is also a professor of Logistics Management at Embry Riddle University an Associate Professor at the University of Phoenix. He holds Bachelors of Science in Business Administration from the University of Dayton, a Masters in Business Administration from Wright State University, and a Doctorate of Business Administration from Argosy University.

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#!ctype=l&strail=false&bcs=d&nselm=h&met_y=unemployment_rate&fdim_y=seasonality:U&scale_y=lin&ind_y=false&rdim=country&idim=city:PS120520:PA370100&idim=country:US&ifdim=country&tstart=1729872000000&tend=1338004800000&hl=en_US&dl=en&ind=false

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ACQUIRING IT SERVICES: SHOULD DOD USE SINGLE OR MULTIPLE AWARD TASK ORDERS?

Dr Joseph R Daum

September 19, 2012



Overview

- **Literature Search Results**
- **Single Award Task Order Contracts (SATOC) vs Multiple Award Task Order Contracts (MATOC)**
- **USSOCOM Case Study**
- **MATOC Sources of Cost Growth**
- **Challenges to Continued Competitive Pressure**
- **Conclusion**
- **Recommendations**



Literature Search Results

- **Two schools of thought**
 - Public sector believes competition motivates contractor performance & cost reduction (OFPP, 1999; Sabin, 2005)
 - Long-term relationships w/fewer contractors can also lead to efficiency (Kelman, 1990; GAO, 2002)
- **Evidence supporting both sides is anecdotal**
 - Savings estimates based on Government estimates
 - No SATOC/MATOC comparison under similar conditions
 - Effects of other factors on savings not considered
- **Acquisition policy encourages MATOCs over SATOCs (FAR Part 16, 2012; Sabin, 2005).**
- **DOD & civilian agencies struggle to maintain continued competition under MATOCs (DOD IG, 2001; GAO, 2003)**



SATOC vs MATOC

- **SATOC Advantages**
- **SATOC Issues**
- **MATOC Advantages**
- **MATOC Issues**



SATOC Advantages

- **Reduced contractor overhead cost**
- **Reduced government resources for oversight**
- **Increased economy from requirements consolidation**
- **Reduced need for cross vendor coordination**
- **Rapid acquisition of services**
- **Increased ability to build long term relationships**



SATOC Issues

- **Reduced incentive for contractor to lower costs**
- **Reduced incentive for contractor to introduce efficiencies**
- **Reduced responsiveness to Government requirements without additional compensation**
- **No competition after award**



MATOC Advantages

- **Reduced acquisition cycle time from Full & Open Competition**
- **Increased competitive pressure to lower costs**
- **Increased competitive pressure to perform**
- **Continued competition after initial award**
- **Increased Government leverage in change negotiations**



MATOC Issues

- **Increased Government oversight & management**
- **Increased cross vendor coordination required**
- **Overhead cost of multiple contractors must be recouped**
- **Limited potential to reduced costs by combining tasks**
- **Longer acquisition lead time than SATOCs**
- **Larger task orders subject to protest**



USSOCOM Case Study

- **USSOCOM IT Acquisition History**
- **Enterprise Information Technology Contract(EITC) Model**
- **Special Operations Forces Information Technology Enterprise Contracts (SITEC)**
- **EITC vs SITEC**



USSOCOM IT Acquisition History

- **Prior to 2002 – Multiple contracts for IT support no enterprise contract**
- **2002 –EITC issued to:**
 - **Improve Command wide interoperability**
 - **Standardize operations**
 - **Increase overall IT performance**
 - **Improve cost of ownership**
 - **Provide a single point of contact**
 - **Improve technology refresh**



USSOCOM IT Acquisition History

- **2011 - SITEC Issued to:**
 - **Increase control, transparency & accountability over IT operations**
 - **Foster effectiveness and innovation**
 - **Drive cost optimization**
 - **Foster communication & information sharing**
 - **Establish flexible and scalable contract supported by a strong metrics program**
 - **Foster competition**
 - **Enable Net Centricity**



EITC Model

- **SATOC with mandated 30% SDB goal**
- **Mix of performance based and level of effort support**
 - **Performance based:** [contract](#) management, systems administration, information assurance, configuration management, help desk, desktop support, infrastructure support, integration, testing, and disaster recovery
 - **Level of effort task orders:** hardware maintenance, training, VTC, database/web/application/portal development, surge, contingency, deployment, technology refresh, travel, and ODCs
- **Scope based on functions & technical environment at time of award**
- **Governance primarily site directed with minimal Enterprise direction**
- **Performance management based on meeting technical SLAs**
 - **4 term incentive years based on performance in years 2-5**
 - **No incentives/disincentives after award of term incentive years**



EITC Issues

- **Support primarily focused on meeting site requirements**
- **Management of change costly**
 - **Negotiated 3 equitable adjustments to performance based support based on growth**
 - **Most growth resulted in level of effort task orders**
 - **Performance based support only 25%(approx) of contract base**
- **Mission changes, generically defined requirements, and undefined Government involvement made Contractor accountability difficult**
- **EITC performance was primarily reactive**
 - **Performance based support focused on day to day O&M & meeting minimum requirements**
 - **No problem resolution or proactive management**
 - **No incentive for improving performance other than award of new task orders**



SITEC Overview

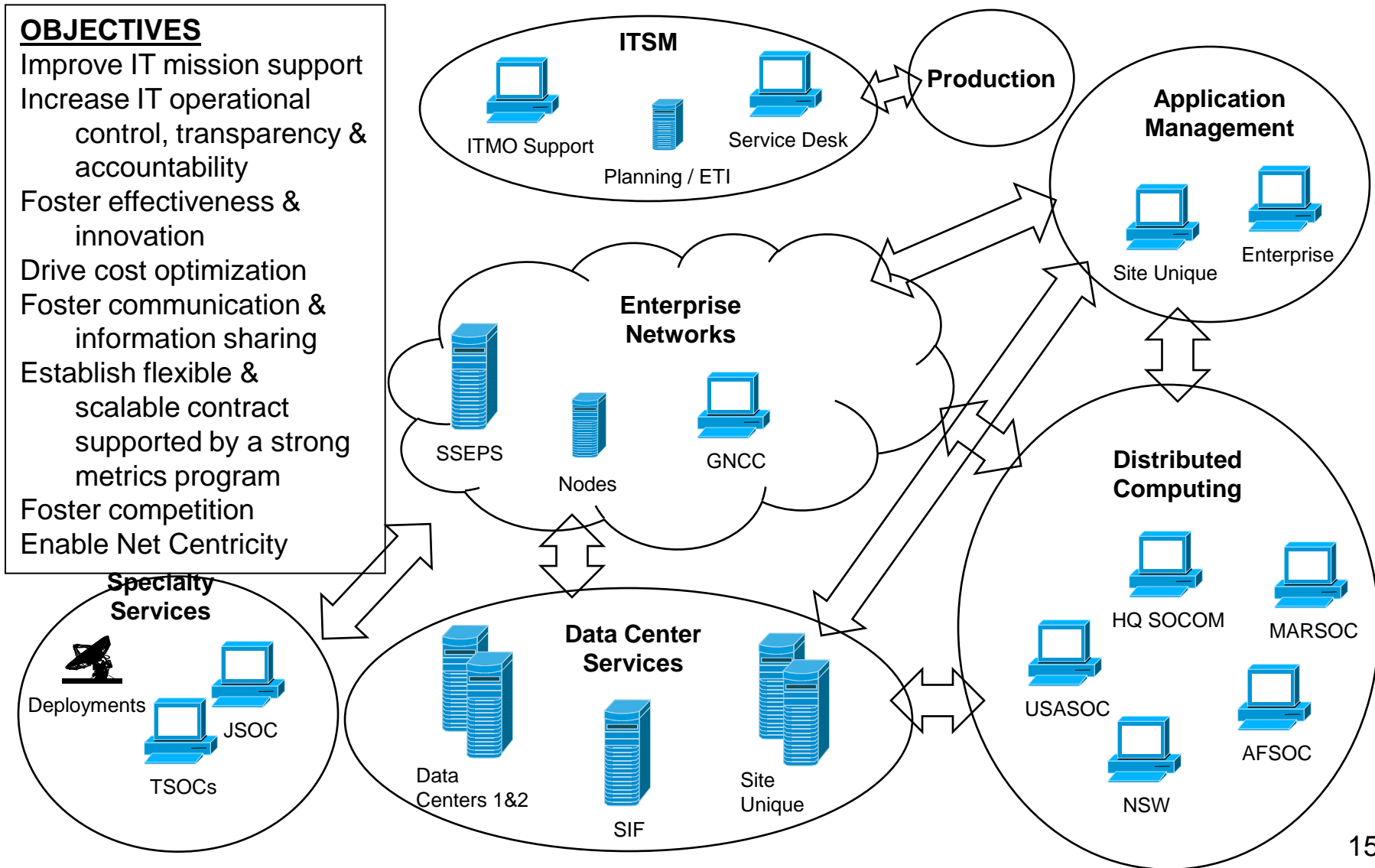
- **DPAP would not allow one SATOC to replace EITC**
- **Acquisition strategy included a mixture of SATOC & MATOCs**
- **Mix of performance based FFP, CPIF and CPFF type task orders**
- **Flexible scalable scope to accommodate organizational changes**
- **Established IT Management Office to provide:**
 - **Central point for managing SOF Information Enterprise**
 - **Centralize implementation & policy compliance for CIO policy and regulations**
 - **Complete view of all SIE assets and integration projects**
 - **Central management of all SIE and SITEC performance data**
 - **CIO and DPAP compliant approach to IT management**
 - **Structure to implement Information Technology Infrastructure Library (ITIL)**
- **Shared Performance**



SITEC Overview

OBJECTIVES

Improve IT mission support
Increase IT operational control, transparency & accountability
Foster effectiveness & innovation
Drive cost optimization
Foster communication & information sharing
Establish flexible & scalable contract supported by a strong metrics program
Foster competition
Enable Net Centricity





SITEC Overview – Unit Based Towers

Enterprise Networks

FFP Per Network
Device, Limited T&M*

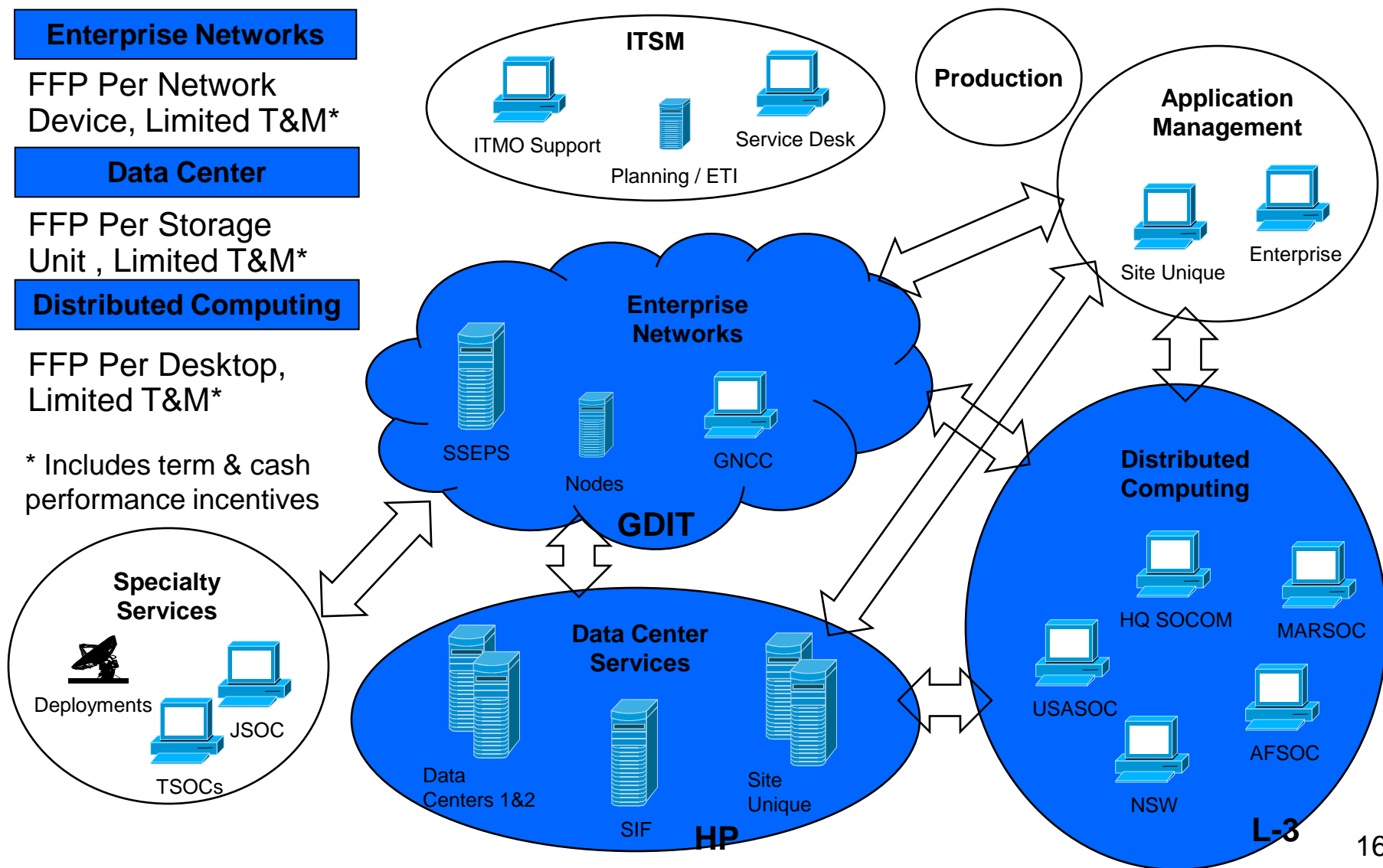
Data Center

FFP Per Storage
Unit, Limited T&M*

Distributed Computing

FFP Per Desktop,
Limited T&M*

* Includes term & cash
performance incentives





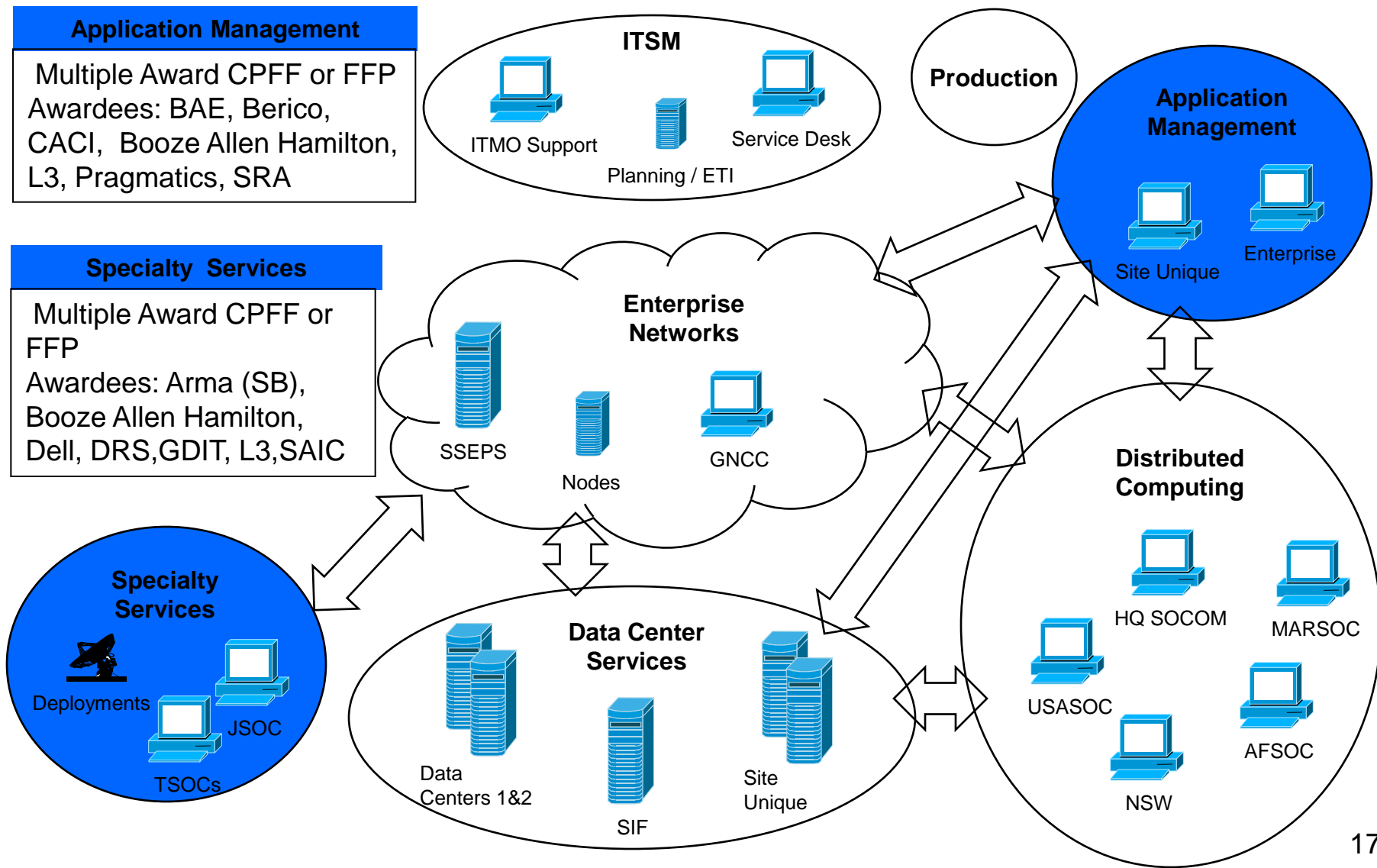
SITEC Overview – Multiple Award Towers

Application Management

Multiple Award CPFF or FFP
Awardees: BAE, Berico,
CACI, Booze Allen Hamilton,
L3, Pragmatics, SRA

Specialty Services

Multiple Award CPFF or
FFP
Awardees: Arma (SB),
Booze Allen Hamilton,
Dell, DRS, GDIT, L3, SAIC





SITEC Overview - Towers

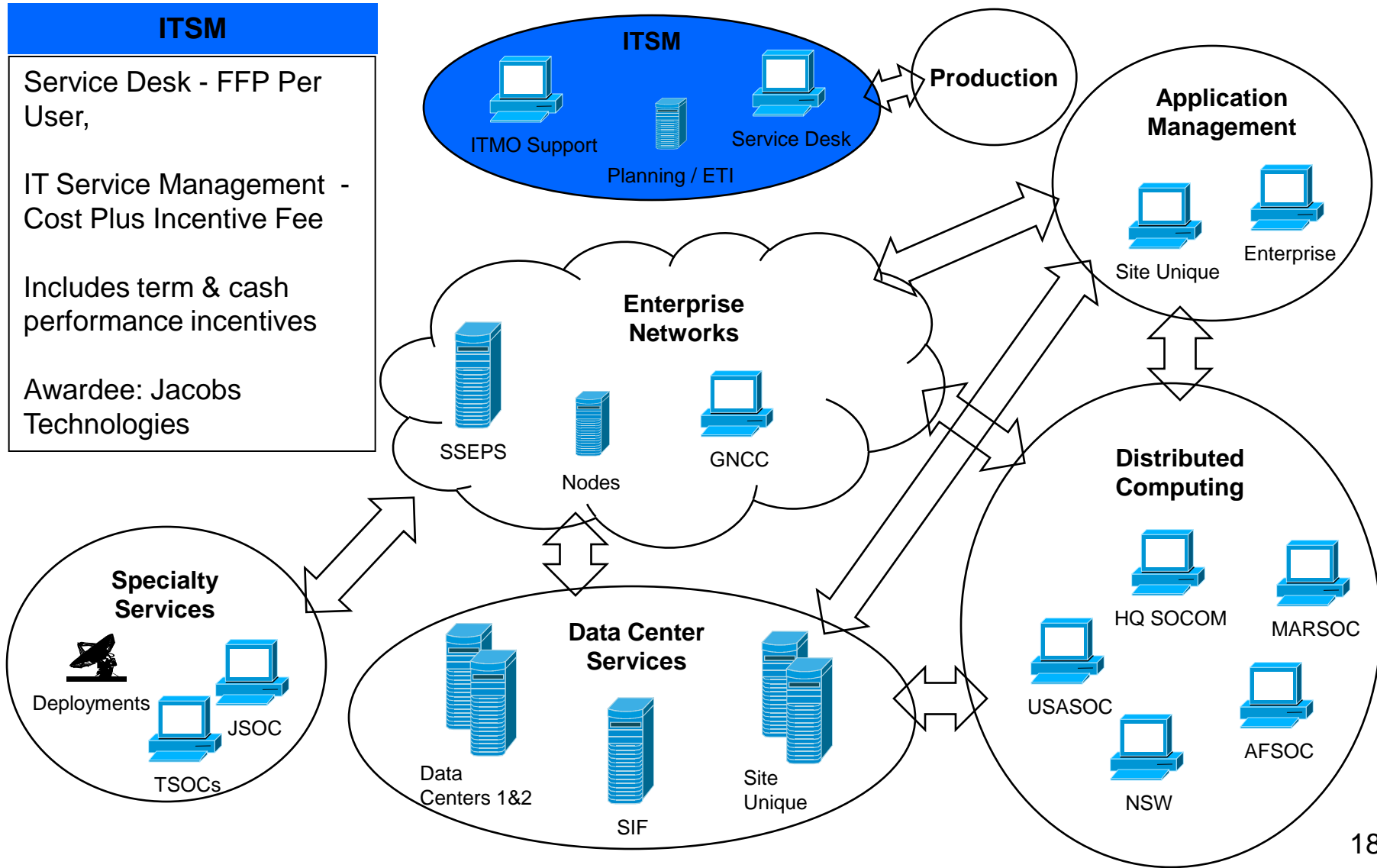
ITSM

Service Desk - FFP Per User,

IT Service Management - Cost Plus Incentive Fee

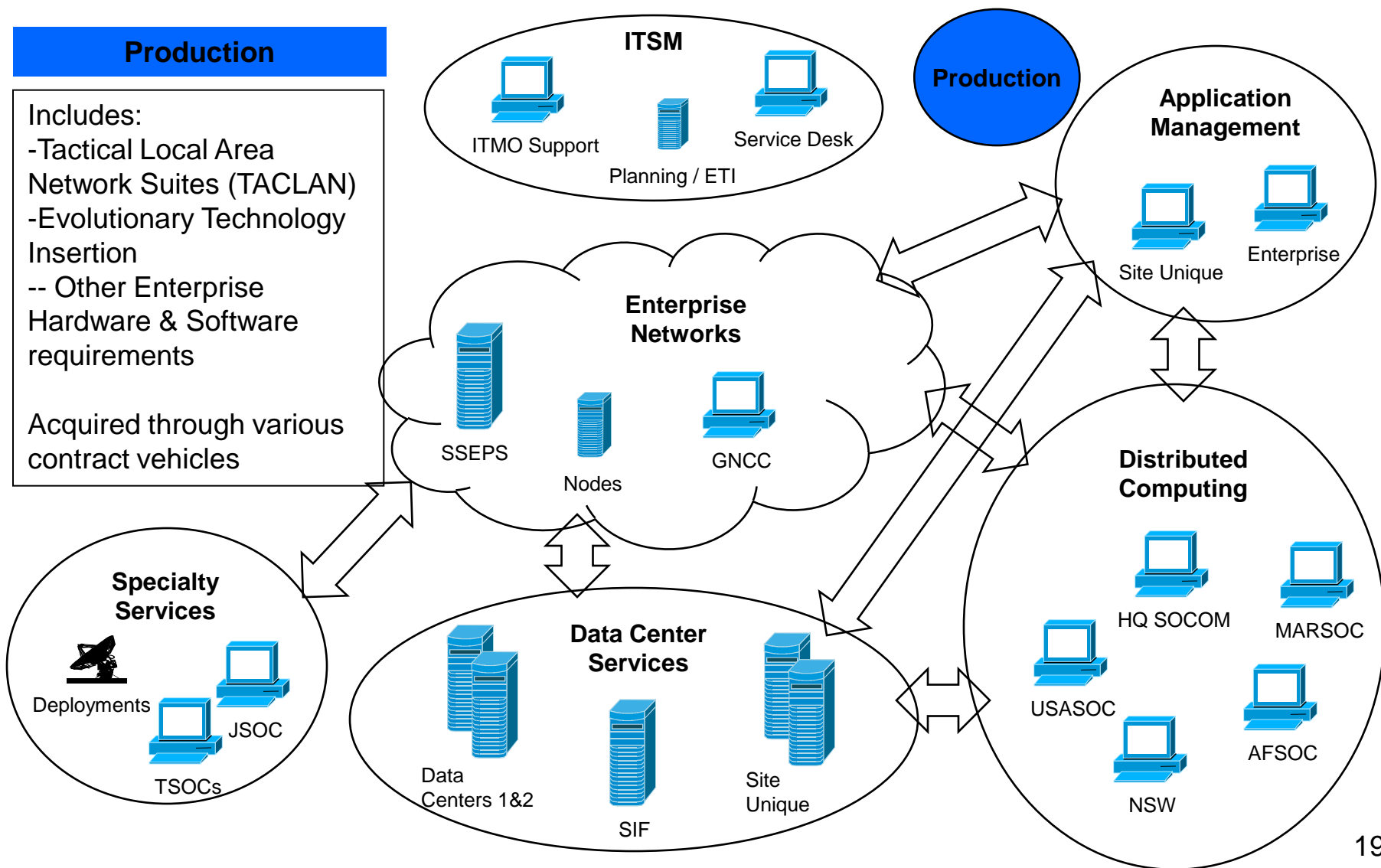
Includes term & cash performance incentives

Awardee: Jacobs Technologies





SITEC Overview - Towers

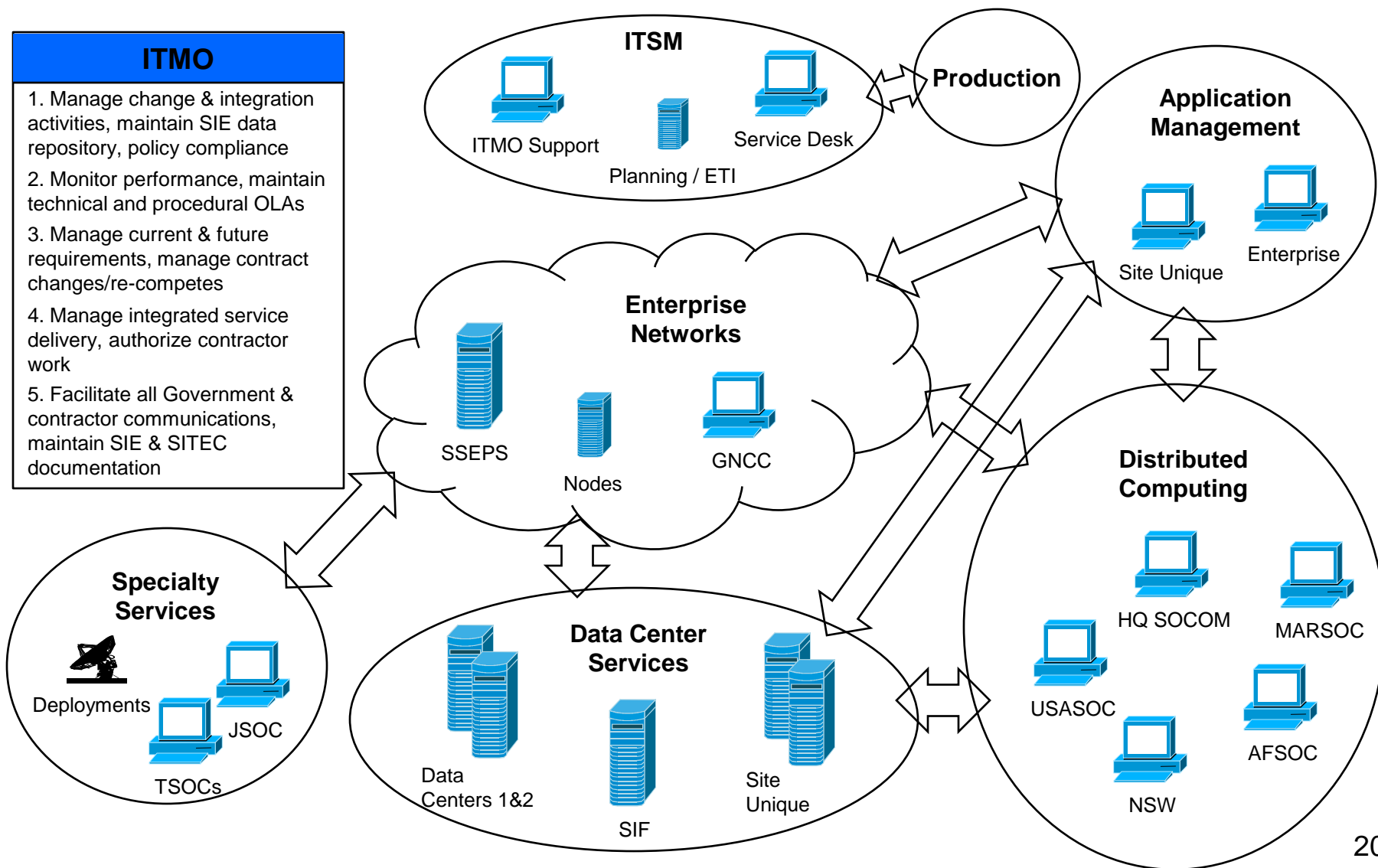




SITEC Overview - ITMO

ITMO

1. Manage change & integration activities, maintain SIE data repository, policy compliance
2. Monitor performance, maintain technical and procedural OLAs
3. Manage current & future requirements, manage contract changes/re-competes
4. Manage integrated service delivery, authorize contractor work
5. Facilitate all Government & contractor communications, maintain SIE & SITEC documentation





EITC vs SITEC

EITC

- One Contractor
- Fixed Price based on estimated # of users
- Specialty & App Mgt services – T & M
- Incentives Based on Contractor Performance
- 9 Year Contract
- Single Award Task Orders
- No Penalties for poor performance
- Contractors took direction from Government personnel

SITEC

- Eighteen Contractors
- Fixed Prices based on actual # of users
- Spec & App Mgt – Multiple Award/CPFF
- Incentives Based on System Performance
- 3-6 Year Contracts
- Competitive Task Orders
- Price reduction for poor performance
- Well defined Enterprise and Site Governance and authorities



SITEC Cost Savings

- **SOCOM estimates cost savings of \$50-72M per year**
 - Estimate based on Government Estimate using:
 - Gartner benchmark data
 - EITC experience
 - Calculation based on initial SITEC contract award data
- **Other factors contributing to cost savings**
 - Change in economic conditions
 - Unemployment rates: EITC – 5.3%, SITEC 11.9%
 - Change in contract type
 - EITC Single fixed price per year & T&M
 - SITEC Fixed unit prices & Cost Plus Fixed Fee
 - Implementation of new IT Governance Model
 - SITEC – Implemented Information Technology Infrastructure Library (ITIL) Structure
 - Cost growth exclusion - not included in initial cost savings estimates

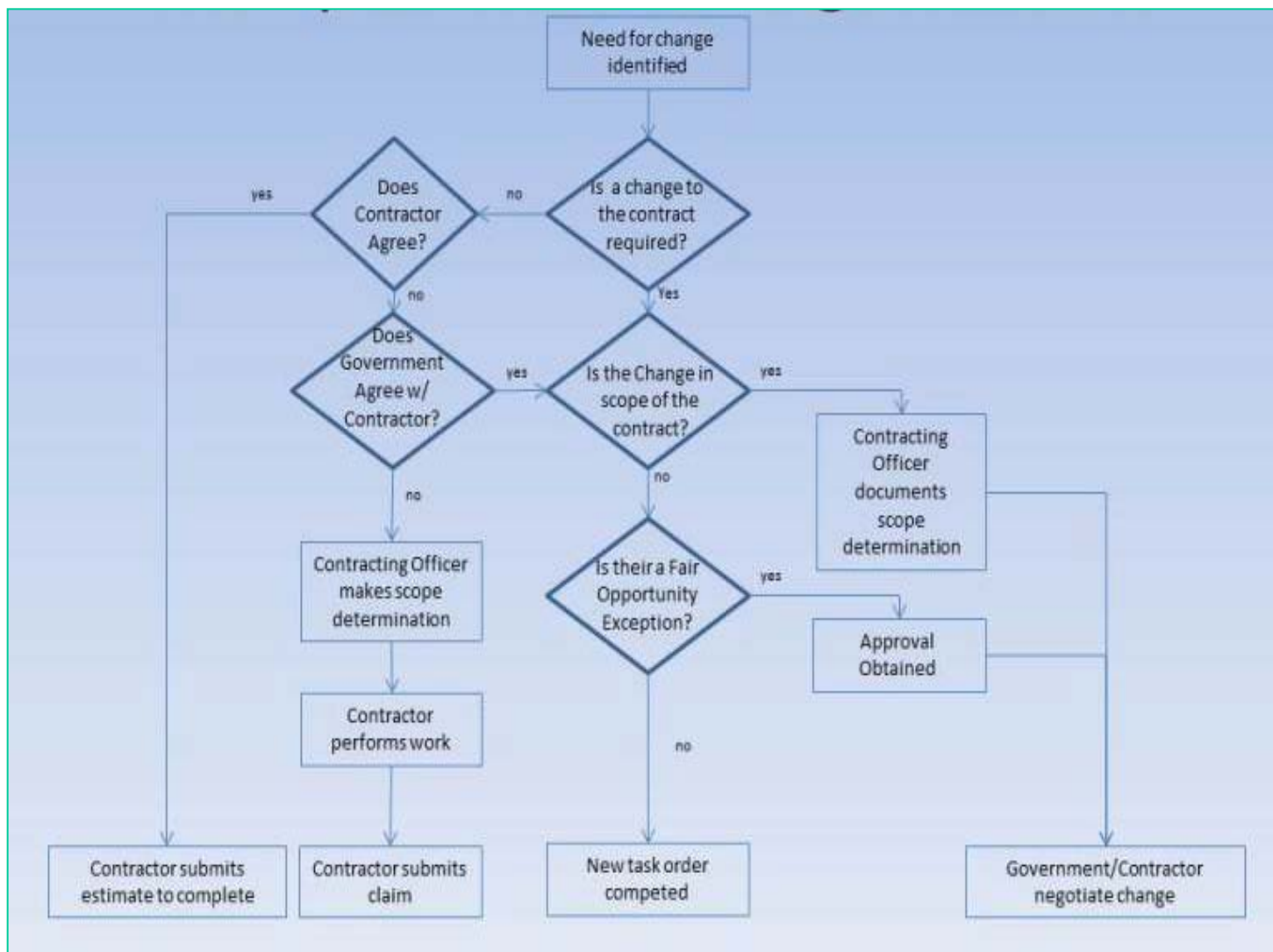


MATOC Sources of Cost Growth

- **Contract Changes**
- **New Work**
- **Cost Overruns**



Multiple Award Change Process





Challenges to Continued Competitive Pressure

- **Improper use of multiple award contracts**
 - **DOD IG found only 3 of 15 units used MACs correctly(2001)**
- **Exceptions to Fair Opportunity process**
 - **GAO cited inadequate justification of exceptions in civilian agencies (2003)**
- **Inadequate Government resources to administer contracts and monitor performance**



Conclusion

- **Competition can motivate performance and cost savings**
- **Combining IT services can help achieve efficiency**
- **Public policy currently favors competition over consolidation**
- **Preponderance of the current literature on DOD organizations supports the use of MATOCs over SATOCs**
- **Evidence used is anecdotal without empirical testing**
- **Evaluation of SATOCs to MATOCs difficult**



Recommendation

- **Develop research tools to evaluate SATOC/MATOC cost savings & factor out the effects of other factors such as:**
 - time
 - technology and process improvements
 - economic conditions
 - mission requirements
 - contract type
 - organization differences
- **Factors analysis may help identify factors to:**
 - help determine which method to use under varying circumstances
 - determine which factors contribute to the ability of either method to achieve desired results
 - develop tools to evaluate the effects of factors on cost growth



Questions?



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